

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Allendale Charter Township	County Ottawa
Fiscal Year End 12-31-05	Opinion Date 2-17-06	Date Audit Report Submitted to State 6-13-06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

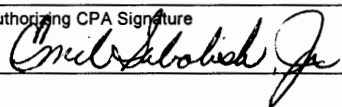
SE  
Z

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No significant deficiencies noted	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Kiekoover, Scholma & Shumaker, PC		Telephone Number 616-772-4615	
Street Address 205 East Main Street		City Zeeland	State MI
Authorizing CPA Signature 		Printed Name Emil Sabolish, Jr.	Zip 49464
		License Number 9304	

ALLENDALE CHARTER TOWNSHIP  
OTTAWA COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2005

KIEKOVER, SCHOLMA & SHUMAKER, PC  
Certified Public Accountants  
Zeeland, Michigan

Allendale Charter Township, Michigan  
ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2005

TABLE OF CONTENTS

	Page
<b>Independent Auditor's Report .....</b>	<b>I</b>
<b>Management's Discussion and Analysis .....</b>	<b>II</b>
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets.....	1
Statement of Activities .....	2
Governmental Fund Financial Statements	
Balance Sheet .....	3
Statement of Revenue, Expenditures and Changes in Fund Balances.....	4
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	5
Proprietary Fund Financial Statements	
Statement of Net Assets.....	6
Statement of Revenue, Expenses and Changes in Net Assets .....	7
Statement of Cash Flows .....	8
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets .....	9
Notes to Financial Statements .....	10

Allendale Charter Township  
ANNUAL FINANCIAL REPORT  
Year Ended December 31, 2005

TABLE OF CONTENTS - Concluded

	Page
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund.....	22
<b>Other Supplemental Data</b>	
Combining Balance Sheet – Nonmajor Governmental Funds .....	24
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds .....	25
Discretely Presented Component Units	
DDA Development Combining Balance Sheet .....	26
DDA Development Combining Statement of Revenue, Expenditures and Changes in Fund Balance.....	27
DDA Leprino Balance Sheet .....	28
DDA Leprino Statement of Revenues, Expenditures and Changes in Fund Balances .....	29



**INDEPENDENT AUDITOR'S REPORT**

February 17, 2006

Township Board  
Allendale Charter Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of Allendale Charter Township, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allendale Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allendale Charter Township, Michigan, as of December 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Charter Township, Michigan's basic financial statements. The other supplemental data, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Kiekover, Scholma & Shumaker, PC*

## Management's Discussion and Analysis

As management of Allendale Charter Township, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the Township's financial statements that follow this section.

### Financial Highlights

- The assets of Allendale Charter Township exceeded its liabilities at the close of the most recent fiscal year by \$24,578,422 (*net assets*). Of this amount, \$4,205,769 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$1,017,145. This is reflected in an increase in capital assets, net of related debt, of \$34,959, an increase in restricted assets of \$71,926, and an increase in unrestricted net assets of \$910,260.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,045,606, an increase of \$66,879 in comparison with the prior year. Approximately 91.2% of this total amount, \$953,115, is *available for spending* at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$807,750 or 37% of total general fund expenditures and transfers out.
- The Township's total debt increased by \$2,218,791 (36%) during the current fiscal year. This is the result of the Township making its required scheduled debt service payments of \$546,209 while incurring \$2,765,000 in new debt during the year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, state shared revenues, and accrued interest payable).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the Township include water supply and sewage disposal operations.

The government-wide financial statements include not only the Township itself (known as the *primary government*), but also its component units. The Downtown Development Authority - Development and Downtown Development Authority - Leprino, are entities legally separate from the Township. Each is governed by a twelve-member board appointed by the Township Board. The Authorities are fiscally dependent on the Township because tax rates for the Downtown Development Authority districts and bonded debt must be approved by the Township Board.

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories, governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Following the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances, reconciliations are provided to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The Township has eight (8) nonmajor funds. These include seven special revenue funds and one debt service fund. Data from the other eight governmental funds are combined into a single aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

**Proprietary funds.** The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its water supply and sewage disposal operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail and information, such as cash flows. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the Township.

The basic proprietary fund financial statements can be found on pages 6-8 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The Township accounts for one type of fiduciary funds – agency funds. Two agency funds are maintained to account for tax collections and the funds of the Allendale Historical Society.

The basic fiduciary fund financial statement can be found on page 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-21 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting the budgetary comparisons for the Township's General Fund found on pages 22-23 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. These combining statements can be found on pages 24-25 of this report.

Statements for the Township's discreetly presented component units can be found on pages 26-29 of this report.



## Government-wide Financial Analysis

**Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Allendale Charter Township, assets exceeded liabilities by \$24,578,422 at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, water and sewer systems and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,205,769) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The following table shows, in a condensed format, the net assets of Allendale Charter Township as of December 31, 2005 and 2004.

**TABLE 1 - Allendale Charter Township's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 1,842,669	\$ 1,765,479	\$ 3,305,411	\$ 2,371,778	\$ 5,148,080	\$ 4,137,257
Capital assets	3,219,332	3,176,179	25,443,271	23,232,674	28,662,603	26,408,853
Total assets	<u>5,062,001</u>	<u>4,941,658</u>	<u>28,748,682</u>	<u>25,604,452</u>	<u>33,810,683</u>	<u>30,546,110</u>
Long-term debt outstanding	532,125	583,543	7,850,316	5,580,107	8,382,441	6,163,650
Other liabilities	687,158	674,143	162,662	147,040	849,820	821,183
Total liabilities	<u>1,219,283</u>	<u>1,257,686</u>	<u>8,012,978</u>	<u>5,727,147</u>	<u>9,232,261</u>	<u>6,984,833</u>
Net assets:						
Invested in capital assets, net of related debt	2,687,207	2,592,636	17,592,955	17,652,567	20,280,162	20,245,203
Restricted	92,491	20,565	-	-	92,491	20,565
Unrestricted	<u>1,063,020</u>	<u>1,070,771</u>	<u>3,142,749</u>	<u>2,224,738</u>	<u>4,205,769</u>	<u>3,295,509</u>
Total net assets	<u>\$ 3,842,718</u>	<u>\$ 3,683,972</u>	<u>\$ 20,735,704</u>	<u>\$ 19,877,305</u>	<u>\$ 24,578,422</u>	<u>\$ 23,561,277</u>

**Change in Net Assets** – As shown in Table 2 (changes in net assets) the Township's total revenues were approximately \$5,695,000 for the current year, of which 9.7% was obtained from property taxes. Charges for services accounted for another 48.4% of the total, State shared revenues 16.9 %, operating grants 0.9%, and capital grants and contributions (mostly in the form water and sewer assessments and developer contributions of systems) another 20.9%. The balance of the Township's revenues was primarily derived from interest earnings and other sources. The total cost of all programs and services for the year ended December 31, 2005 was approximately \$4,874,000. Township expenses cover a wide range of services. For the current fiscal year, about 14.0% of the Township's expenses related to general government services, 17.9% related to public safety, 8.4% related to recreation and culture, and 53.3% related to the provision of water and sewage disposal services.

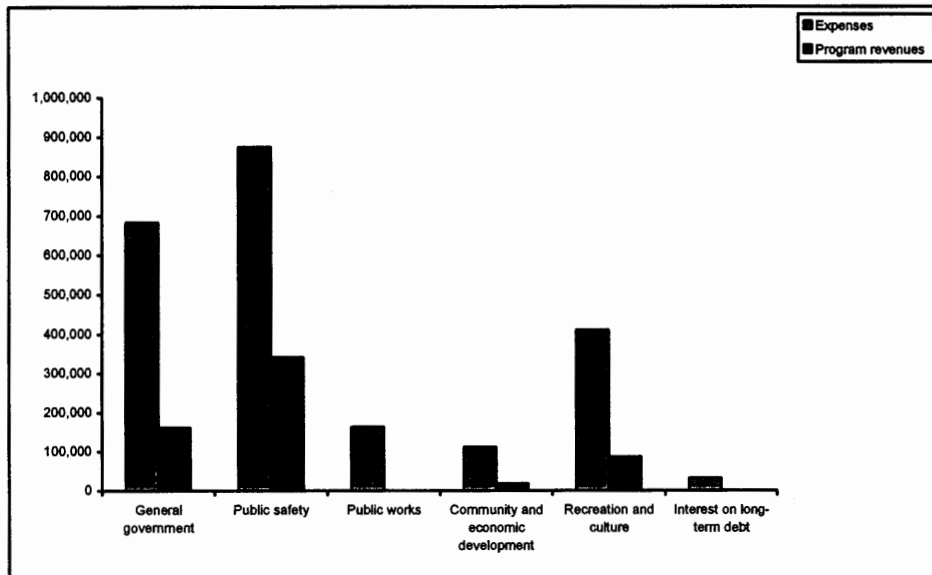
Net assets increased by \$158,746 for the Township's governmental activities. Net assets for business-type activities increased by \$858,399 during the year (with a decrease in the net investment in business-type capital assets of \$59,612 and an increase in unrestricted net assets of \$918,011).

The following analysis highlights the changes in net assets for the year ended December 31, 2005 and 2004.

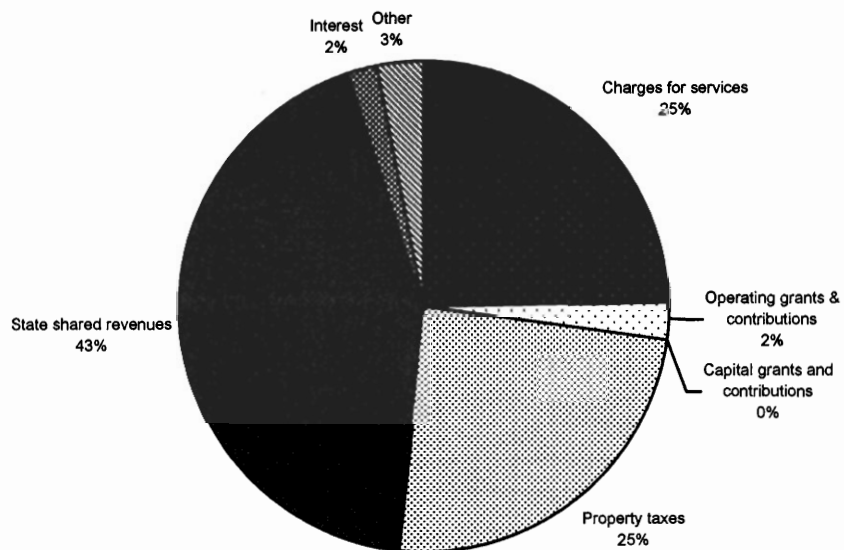
**TABLE 2 - Allendale Charter Township's Changes in Net Assets**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
<b>Program revenues</b>						
Charges for services	\$ 553,997	\$ 387,519	\$ 2,200,525	\$ 1,842,303	\$ 2,754,522	\$ 2,229,822
Operating grants and contributions	53,922	106,741	-	-	53,922	106,741
Capital grants and contributions	-	63,791	1,191,483	1,824,461	1,191,483	1,888,252
<b>General revenues</b>						
Property taxes	549,766	499,903	-	-	549,766	499,903
State shared revenues	965,337	972,398	-	-	965,337	972,398
Interest	43,887	19,392	52,071	30,294	95,958	49,686
Other	70,518	70,189	13,406	-	83,924	70,189
<b>Total revenues</b>	<u>2,237,427</u>	<u>2,119,933</u>	<u>3,457,485</u>	<u>3,697,058</u>	<u>5,694,912</u>	<u>5,816,991</u>
<b>Program expenses</b>						
General government	683,755	748,773	-	-	683,755	748,773
Public safety	874,371	857,019	-	-	874,371	857,019
Public works	162,922	107,792	-	-	162,922	107,792
Community and economic development	111,843	106,394	-	-	111,843	106,394
Recreation and culture	410,157	401,609	-	-	410,157	401,609
Interest on long-term debt	31,633	31,239	-	-	31,633	31,239
Water and sewer	-	-	2,599,086	2,428,622	2,599,086	2,428,622
<b>Total expenses</b>	<u>2,274,681</u>	<u>2,252,826</u>	<u>2,599,086</u>	<u>2,428,622</u>	<u>4,873,767</u>	<u>4,681,448</u>
<b>Change before transfers</b>	(37,254)	(132,893)	858,399	1,268,436	821,145	1,135,543
<b>Transfers in from component unit</b>	<u>196,000</u>	<u>99,308</u>	<u>-</u>	<u>-</u>	<u>196,000</u>	<u>99,308</u>
<b>Change in Net Assets</b>	<u>\$ 158,746</u>	<u>\$ (33,585)</u>	<u>\$ 858,399</u>	<u>\$ 1,268,436</u>	<u>\$ 1,017,145</u>	<u>\$ 1,234,851</u>

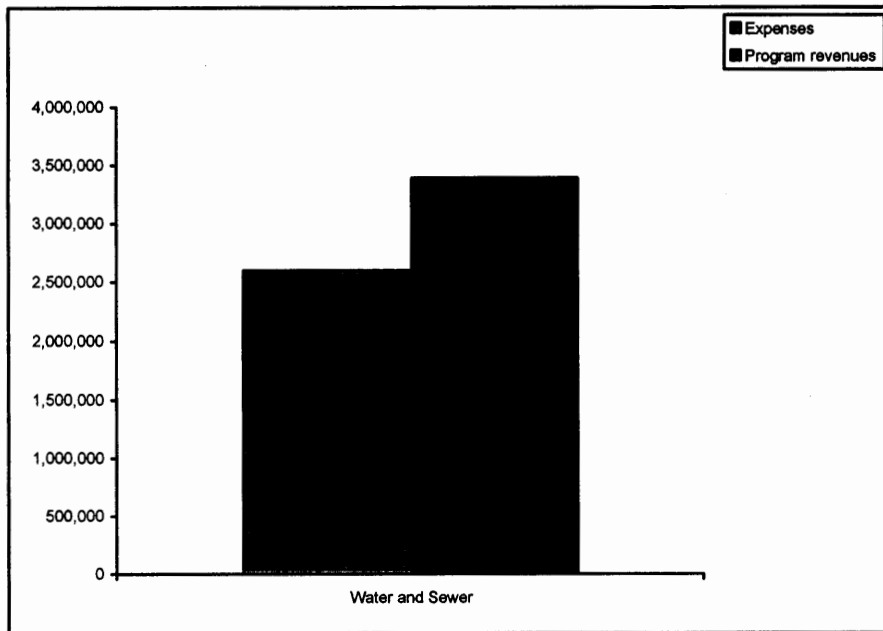
## Expenses and Program Revenues – Governmental Activities



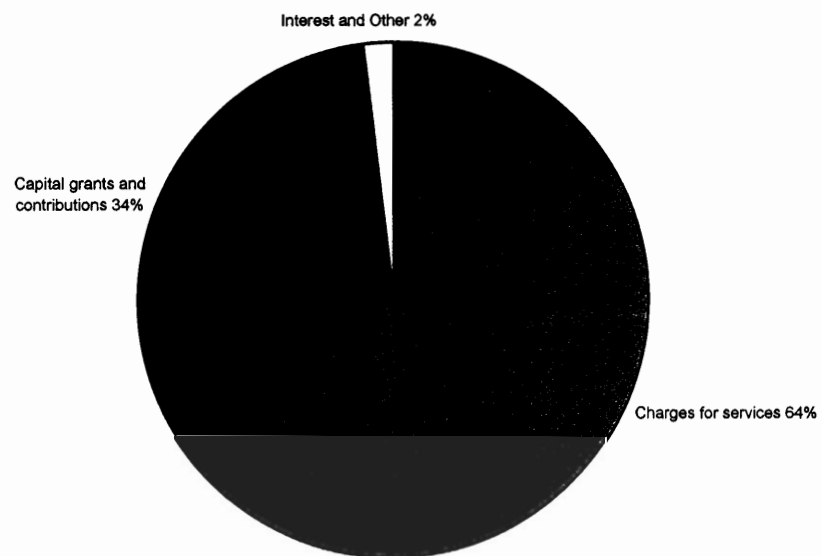
## Revenues by Source – Governmental Activities



## Expenses and Program Revenues-Business-type Activities



## Revenues by Source – Business-type Activities



## **Financial Analysis of the Township's Funds**

**Governmental Funds** - Our analysis of the Township's major funds begins on page 3, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, grants, contributions or capital projects. The Township's major funds for 2005 consist only of the General Fund.

The General Fund is the main operating fund of the Township. Total General Fund revenues and other financing sources for fiscal year 2005 increased by \$288,888 or 15.5%. Property tax revenues increased by \$47,343 or 12.1%. State shared revenues increased by \$22,641 or 2.3%. Federal grant revenues decreased by \$123,614, due to decreased funding for the juvenile justice grant and fire department capital expenditures. All other General Fund revenue sources increased by \$103,326. During 2005 the General Fund received a transfer of excess funds from the DDA Development of \$196,000 and proceeds from the issuance of debt of \$140,000.

General Fund expenditures increased in 2005 by \$84,290 or 4.3%. The most significant changes occurred in the categories of General Government (increase of \$107,651) and Public Safety (decrease of \$147,713) due primarily to increases/decreases in the level of capital expenditures. Public Works expenditures also increased by \$55,828, due in large part to increased operating costs related to M-45 highway enhancements.

The December 31, 2005 fund balance of the general fund is \$807,750 which is all unreserved. This is a decrease of \$12,696 from the prior year. The \$807,750 unreserved fund balance is approximately 37% of 2005 expenditures and operating transfers to other funds which amounted to \$2,166,205.

**Proprietary Funds** – Allendale Charter Township's proprietary funds provide the same type of information found in the government-wide financial statements (business-type activities) but in more detail. The Township's proprietary funds are comprised of the Water and Sewer Fund. Water and Sewer user rates increased by 0.4% and 8.9%, respectively, effective January 1, 2005.

Operating revenues for the Water and Sewer Fund increased in fiscal year 2005 by \$358,222 from \$1,842,303 to \$2,200,525. Operating expenses, excluding depreciation, increased in fiscal year 2005 by \$136,344 from \$1,753,953 to \$1,890,297 due mainly to higher operation and maintenance costs.

Unrestricted net assets of the Water and Sewer Fund were \$3,142,749 at December 31, 2005. Of this amount, \$1,957,001 is designated for capital projects and debt service. The Water and Sewer Fund had a total increase in net assets of \$858,399.

During fiscal year 2005, the Township added approximately \$2.78 million of capital assets to its water and sewer systems, including approximately \$628,000 of capital assets contributed by developers and others.

## **General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account events during the year. Budgeted revenues were increased to reflect additional license and permit fees received, higher State shared revenues payments, and additional interest revenues. The most significant change to the budget for expenditures was an increase of \$84,000 for operational costs related to the recently completed M-45 highway enhancements. Township operational departments generally stayed within budgeted amounts, resulting in total expenditures \$68,629 below the final budget. The General Fund's fund balance decreased by \$12,696 compared to a budgeted decrease of \$273,708.

## Capital Assets and Debt Administration

**Capital assets.** The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005, amounted to \$28,662,603 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and roads and sidewalks, and water and sewer systems. The total increase in the Township's investment in capital assets for the current fiscal year was \$43,153 (1.4%) for governmental activities and \$2,210,597 (9.5%) for business-type activities.

Major capital asset events during the current fiscal year included the following:

- \$166,000 expended for 68<sup>th</sup> Avenue property
- \$2,155,000 expended for construction of water and sewer systems
- \$628,000 of water and sewer systems contributed by developers and others

Additional information on the Township's capital assets can be found in note 3C on pages 17-18 of this report.

### Allendale Charter Township's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 496,209	\$ 329,904	\$ 159,401	\$ 159,401	\$ 655,610	\$ 489,305
Construction in progress	-	-	2,108,035	966,603	2,108,035	966,603
Buildings and improvements	1,620,113	1,655,607	125,705	60,934	1,745,818	1,716,541
Land improvements	393,342	420,231	-	-	393,342	420,231
Systems	-	-	23,001,625	21,986,695	23,001,625	21,986,695
Machinery, equipment, vehicles	709,668	770,437	48,505	59,041	758,173	829,478
Infrastructure	-	-	-	-	-	-
Total	<u>\$ 3,219,332</u>	<u>\$ 3,176,179</u>	<u>\$ 25,443,271</u>	<u>\$ 23,232,674</u>	<u>\$ 28,662,603</u>	<u>\$ 26,408,853</u>

**Long-term debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$8,382,441. Of this amount, \$532,125 is to be paid by governmental funds and \$7,850,316 is to be paid from water and sewer fund revenue sources.

### Allendale Charter Township's Outstanding Debt General Obligation and Revenue Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 310,000	\$ 400,000	\$ -	\$ -	\$ 310,000	\$ 400,000
County revolving fund notes payable	-	-	248,780	313,571	248,780	313,571
Water Supply & Sewage Disposal bonds	-	-	2,625,000	-	2,625,000	-
Michigan Municipal Bond Authority bonds	-	-	4,976,536	5,266,556	4,976,536	5,266,556
Notes and land contracts payable	<u>222,125</u>	<u>183,543</u>	<u>-</u>	<u>-</u>	<u>222,125</u>	<u>183,543</u>
Total	<u>\$ 532,125</u>	<u>\$ 583,543</u>	<u>\$ 7,850,316</u>	<u>\$ 5,580,127</u>	<u>\$ 8,382,441</u>	<u>\$ 6,163,670</u>

Total outstanding debt increased by \$2,218,771 during the current year. This was a result of the Township making its required scheduled debt payments of \$546,209 while incurring \$2,765,000 in new debt during the year.

Additional information on the Township's long-term debt can be found in Note 3E on pages 20-21 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2006 calls for a slight reduction in the overall property tax rate from 3.1922 mills to 3.1522 mills. This reduction is in the millage for the Library Building debt approved by the voters in 1998. This can be accomplished because of tax base growth. The operating portion of the Township's millage has remained unchanged at 2.7422 mills since 2000.

The Township's revenue picture for 2006 appears to be slightly improved over previous years. Although it was again necessary to appropriate a portion of unreserved fund balance to balance the 2006 budget, the amount needed was \$52,018, approximately 20% of the amount appropriated in 2005. This improvement was for various reasons, including the Township Board's decision to implement a 1% collection fee on property taxes, an increase in municipal fire protection grants, an increase in cable franchise fees, and the start of a residential rental licensing program, which included fees.

The number of municipal water and sewer customers in the Township continues to grow significantly. In 2006, the Township expects to implement the results of a rate study commissioned in 2005. The Township will also submit a Project Plan application for State of Michigan Drinking Water Revolving Funds in 2006. A DWRF loan is a low interest loan for installation of municipal water systems. The Township would like to make a connection to the Grand Rapids Fillmore Street water line to provide additional reliability to its system. The Township also hopes to extend municipal water to two developments that are experiencing significant problems in obtaining a reliable source of ground water. If this extension is funded, the Township would expect to construct the water mains in 2007.

### **Requests for Information**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions regarding this report or need additional information, we welcome you to contact the Township Supervisor's office.

# Basic Financial Statements



Allendale Charter Township  
STATEMENT OF NET ASSETS  
December 31, 2005

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total	DDA Development	DDA Leprino
<b>ASSETS</b>					
Cash and investments	\$ 1,064,449	\$ 2,470,203	\$ 3,534,652	\$ 486,082	\$ 129,824
Receivables:					
Taxes	350,016	-	350,016	387,704	57,042
Accounts	66,057	464,243	530,300	-	-
Special assessments	16,125	183,561	199,686	-	-
Due from component unit	1,801	44,337	46,138	-	-
Due from other governments	330,212	-	330,212	-	-
Inventories	-	36,993	36,993	-	-
Prepaid items	14,009	106,074	120,083	-	-
Capital assets	<u>3,219,332</u>	<u>25,443,271</u>	<u>28,662,603</u>	<u>750,224</u>	<u>-</u>
 Total Assets	<u>5,062,001</u>	<u>28,748,682</u>	<u>33,810,683</u>	<u>1,624,010</u>	<u>186,866</u>
 <b>LIABILITIES</b>					
Accounts payable	30,758	75,783	106,541	795	-
Accrued liabilities	67,939	83,858	151,797	-	-
Accrued payroll	5,916	3,021	8,937	-	-
Due to primary government	-	-	-	46,138	-
Deferred revenue	582,545	-	582,545	647,736	57,044
Noncurrent liabilities:					
Due within one year	178,225	421,762	599,987	72,030	-
Due in more than one year	<u>353,900</u>	<u>7,428,554</u>	<u>7,782,454</u>	<u>183,246</u>	<u>-</u>
 Total Liabilities	<u>1,219,283</u>	<u>8,012,978</u>	<u>9,232,261</u>	<u>949,945</u>	<u>57,044</u>
 <b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,687,207	17,592,955	20,280,162	494,948	-
Restricted for:					
Construction code activities	79,080	-	79,080	-	-
Fire special projects	11,448	-	11,448	-	-
Debt service	1,963	-	1,963	649	129,822
Unrestricted	<u>1,063,020</u>	<u>3,142,749</u>	<u>4,205,769</u>	<u>178,468</u>	<u>-</u>
 Total Net Assets	<u>\$ 3,842,718</u>	<u>\$ 20,735,704</u>	<u>\$ 24,578,422</u>	<u>\$ 674,065</u>	<u>\$ 129,822</u>

Allendale Charter Township  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2005

Function/Programs:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units	
				Governmental Activities	Business Type Activities	DDA Development	DDA Leprino
Primary Government:							
Governmental Activities:							
General government	\$ 683,755	\$ 161,856	\$ -	\$ (521,899)	\$ -	\$ (521,899)	
Public safety	874,371	299,238	42,579	(532,554)	-	(532,554)	
Public works	162,922	-	-	(162,922)	-	(162,922)	
Community and economic development	111,843	18,003	-	(93,840)	-	(93,840)	
Recreation and culture	410,157	74,900	11,343	(323,914)	-	(323,914)	
Interest on long-term debt	31,633	-	-	(31,633)	-	(31,633)	
Total Governmental Activities	<u>2,274,681</u>	<u>553,997</u>	<u>53,922</u>	<u>(1,666,762)</u>	<u>-</u>	<u>(1,666,762)</u>	
Business-type activities:							
Water and sewer	<u>2,599,086</u>	<u>2,200,525</u>	<u>-</u>	<u>-</u>	<u>792,922</u>	<u>792,922</u>	
Total Primary Government	<u>\$ 4,873,767</u>	<u>\$ 2,754,522</u>	<u>\$ 53,922</u>	<u>(1,666,762)</u>	<u>792,922</u>	<u>(873,840)</u>	
Component Units:							
DDA Development	\$ (57,386)	\$ -	\$ -	\$ -	\$ -	\$ 57,386	\$ -
DDA Leprino	<u>327,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(327,365)</u>
Total Component Units	<u>\$ 269,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>57,386</u>	<u>(327,365)</u>	<u>-</u>
General revenues:							
Property taxes				549,766	-	788,153	355,823
State shared revenues				965,337	-	-	-
Interest				43,887	52,071	8,705	423
Gain on sale of capital assets				978	13,406	-	-
Other				69,540	-	-	-
Prior years' taxes returned				-	-	(304,000)	-
Transfers				196,000	-	(196,000)	-
Total General Revenues and Transfers				<u>1,825,508</u>	<u>65,477</u>	<u>296,858</u>	<u>356,246</u>
Change in Net Assets				158,746	858,399	354,244	28,881
Net Assets - Beginning				<u>3,683,972</u>	<u>19,877,305</u>	<u>319,821</u>	<u>100,941</u>
Net Assets - Ending				<u>\$ 3,842,718</u>	<u>\$ 20,735,704</u>	<u>\$ 674,065</u>	<u>\$ 129,822</u>

Allendale Charter Township  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 794,089	\$ 270,360	\$ 1,064,449
Receivables:			
Taxes	280,315	69,701	350,016
Accounts	52,340	13,717	66,057
Special assessments	-	16,125	16,125
Due from other governments	171,997	-	171,997
Due from component unit	1,801	-	1,801
Prepaid expenses	11,908	2,101	14,009
 Total Assets	 <u>\$ 1,312,450</u>	 <u>\$ 372,004</u>	 <u>\$ 1,684,454</u>
 <b>LIABILITIES</b>			
Accounts payable	\$ 27,284	\$ 3,474	\$ 30,758
Accrued liabilities	3,178	326	3,504
Accrued payroll	4,862	1,054	5,916
Deferred revenue	469,376	129,294	598,670
 Total Liabilities	 <u>504,700</u>	 <u>134,148</u>	 <u>638,848</u>
 <b>FUND BALANCES</b>			
Reserved:			
Construction code activities	-	79,080	79,080
Fire special projects	-	11,448	11,448
Debt service	-	1,963	1,963
Unreserved-reported in:			
General Fund	807,750	-	807,750
Special Revenue Funds	-	145,365	145,365
 Total Fund Balances	 <u>807,750</u>	 <u>237,856</u>	 <u>1,045,606</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 1,312,450</u>	 <u>\$ 372,004</u>	

Amount reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds:

General capital assets	3,219,332
State shared revenues (sales taxes) collected and held by the State at year end are not considered available to pay for current year expenditures	158,215
Special assessments receivable are expected to be collected over several years and are not available to pay for current year expenditures	16,125
Compensated absences are included as a liability in governmental activities	(59,205)
Interest accrued on outstanding notes payable is not reported in the funds	(5,230)
Long term liabilities are not due and payable in the current period and are not reported in the funds	(532,125)

Net Assets of Governmental Activities	<u>\$ 3,842,718</u>
---------------------------------------	---------------------

Allendale Charter Township  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
Year Ended December 31, 2005

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 438,549	\$ 111,217	\$ 549,766
Licenses and permits	106,899	286,205	393,104
Federal grants	9,195	-	9,195
State shared revenues and grants	1,022,505	-	1,022,505
Charges for services	37,096	30,765	67,861
Fines and forfeits	58,230	-	58,230
Interest and rent	38,286	5,601	43,887
Other	<u>104,249</u>	<u>7,638</u>	<u>111,887</u>
 Total Revenues	 <u>1,815,009</u>	 <u>441,426</u>	 <u>2,256,435</u>
 <b>Expenditures:</b>			
Current:			
General government	753,154	1,053	754,207
Public safety	578,116	220,283	798,399
Public works	126,383	37,088	163,471
Community and economic development	95,809	-	95,809
Recreation and culture	275,087	44,822	319,909
Other	168,596	-	168,596
Debt service:			
Principal retirement	27,075	164,343	191,418
Interest and fiscal charges	<u>8,285</u>	<u>25,462</u>	<u>33,747</u>
 Total Expenditures	 <u>2,032,505</u>	 <u>493,051</u>	 <u>2,525,556</u>
 Excess of Revenues			
Over (Under) Expenditures	<u>(217,496)</u>	<u>(51,625)</u>	<u>(269,121)</u>
 <b>Other Financing Sources:</b>			
Proceeds from issuance of debt	140,000	-	140,000
Transfers in - component unit (DDA)	196,000	-	196,000
Transfers in	2,500	133,700	136,200
Transfers out	<u>(133,700)</u>	<u>(2,500)</u>	<u>(136,200)</u>
 Total Other Financing Sources (Uses)	 <u>204,800</u>	 <u>131,200</u>	 <u>336,000</u>
 Net Change in Fund Balances	 (12,696)	 79,575	 66,879
 Fund Balances - January 1	 <u>820,446</u>	 <u>158,281</u>	 <u>978,727</u>
 Fund Balances - December 31	 <u>\$ 807,750</u>	 <u>\$ 237,856</u>	 <u>\$ 1,045,606</u>

See Notes to Financial Statements

Allendale Charter Township  
**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 Year Ended December 31, 2005

Net change in fund balances-Total Governmental Funds	\$ 66,879
--	-----------

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Current year capital outlays capitalized - general capital assets	199,596
Current year depreciation expense on capitalized assets	(151,921)

Governmental funds report the proceeds from the disposal of capital assets. In the statement of activities only the gain or loss is reported for each disposal. Therefore the change in net assets differs from the change in fund balance by the net book value of assets disposed	(4,522)
---	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds until collected or collectible within 60 days of year end	
State shared revenues	(14,742)
Special assessment revenues	(5,244)

Repayments of bonds and notes payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	191,418
---	---------

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets	(140,000)
---	-----------

In the statement of activities, interest is accrued on outstanding notes payable, whereas in governmental funds, an interest expenditure is reported when due	2,114
---	-------

Change in compensated absences is recorded when earned in the statement of activities	15,168
---	--------

Change in net assets of governmental activities	\$ <u>158,746</u>
---	-------------------

Allendale Charter Township  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2005

	<u>Enterprise Water and Sewer</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 2,470,203
Receivables:	
Accounts	464,243
Due from component unit	44,337
Inventories	36,993
Prepaid items	<u>106,074</u>
Total Current Assets	<u>3,121,850</u>
Noncurrent Assets:	
Assessments receivable	183,561
Capital assets	<u>25,443,271</u>
Total Noncurrent Assets	<u>25,626,832</u>
Total Assets	<u>\$ 28,748,682</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 75,783
Accrued liabilities	83,858
Accrued payroll	3,021
Current portion of long-term debt	<u>421,762</u>
Total Current Liabilities	584,424
Noncurrent Liabilities:	
Long-term debt	<u>7,428,554</u>
Total Liabilities	<u>8,012,978</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	17,592,955
Unrestricted, designated for capital projects	1,731,418
Unrestricted, designated for debt service	225,583
Unrestricted	<u>1,185,748</u>
Total Net Assets	<u>\$ 20,735,704</u>

Allendale Charter Township  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended December 31, 2005

	<u>Enterprise Water and Sewer</u>
Operating Revenues:	
Water sales	\$ 1,274,142
Sewage treatment sales	842,868
Other revenues	<u>83,515</u>
Total Operating Revenues	<u>2,200,525</u>
Operating Expenses:	
Cost of water	695,113
Operation and maintenance - water	407,573
Operation and maintenance - sewage treatment	609,522
General and administrative	178,089
Depreciation	<u>586,997</u>
Total Operating Expenses	<u>2,477,294</u>
Operating Income (Loss)	<u>(276,769)</u>
Nonoperating Revenues (Expenses)	
Interest income	52,071
Gain on sale of capital assets	13,406
Interest and fiscal charges	<u>(121,792)</u>
Total Nonoperating Revenues (Expenses)	<u>(56,315)</u>
Income (Loss) Before Contributions and Transfers	(333,084)
Capital contributions - assessments	563,626
Capital contributions - developers	703,465
Capital contributions - DDA constructed assets	<u>(75,608)</u>
Change in Net Assets	858,399
Net Assets - January 1	<u>19,877,305</u>
Net Assets - December 31	<u>\$ 20,735,704</u>

Allendale Charter Township  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2005

	<u>Enterprise Water and Sewer</u>
Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,197,670
Payments to suppliers	(1,509,450)
Payments to employees	(444,590)
Net Cash Provided By Operating Activities	<u>243,630</u>
Cash Flows From Capital and Related Financing Activities:	
Capital contributions	565,189
Construction and purchase of capital assets	(2,169,737)
Proceeds from sale of capital assets	13,406
Proceeds from capital debt	2,625,000
Principal paid on capital debt	(354,791)
Interest paid on capital debt	(75,116)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>603,951</u>
Cash Flows From Investing Activities:	
Interest received on investments	<u>52,071</u>
Net Increase in Cash and Investments	899,652
Cash and Investments - January 1	<u>1,570,551</u>
Cash and Investments - December 31	<u>\$ 2,470,203</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:	
Operating income (loss)	(276,769)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	586,997
Change in assets and liabilities:	
Receivables	29,408
Other assets	(64,952)
Accounts payable	(2,399)
Accrued and other liabilities	(28,655)
Net Cash Provided By Operating Activities	<u>\$ 243,630</u>
Noncash capital financing activities:	
Contribution of capital assets from developers and others	<u>\$ 627,857</u>



Allendale Charter Township  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 December 31, 2005

	<u>Agency Fund Type</u>	
	<u>Tax Collection</u>	<u>Allendale Historical Society</u>
<b>ASSETS</b>		
Cash and investments	<u>\$ 189,571</u>	<u>\$ 3,790</u>
<b>LIABILITIES</b>		
Due to other units	<u>\$ 189,571</u>	<u>\$ 3,790</u>

Allendale Charter Township, Michigan  
NOTES TO FINANCIAL STATEMENTS  
Year Ended December 31, 2005

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Allendale Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Allendale Charter Township:

**A. Reporting Entity**

Allendale Charter Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the township and its component units, entities for which the township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

**Blended Component Unit.** The township has no blended component units.

**Discretely Presented Component Unit.** The following component units are reported within the component units columns in the financial statements.

DDA Development - The Downtown Development Authority – Development was created to finance improvements to the central business district of the township. The Authority's twelve member governing board is appointed by the Township Board. In addition, the Authority's budget, tax rates and bonded debt are subject to approval by the Township Board. The DDA Development currently receives captured tax increment revenues and makes debt service payments on water and sewer debt.

DDA Leprino – The township established the DDA Leprino and entered into a development agreement and tax increment financing plan with Leprino Foods, Inc. The Authority's twelve member board is appointed by the Township Board. Leprino Foods, Inc. issued bonds to provide for construction of a wastewater treatment facility for the Company. Captured tax increment revenues for this expansion project are used to pay Leprino Foods, Inc. an interest subsidy on the debt related to this project.

Separate financial statements for the DDA's are not issued.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes (state shared revenues) collected and held by the State at year end on behalf of the township and paid to the township at the end of the following February are recognized as revenue in the year received. Such amounts are not normally received within 60 days of the end of the current fiscal year and are budgeted for use by the township in the year received. Other revenue is recorded when received.

The township reports the following major governmental funds:

*General Fund* - The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The township reports the following major proprietary funds:

*Water and Sewer Fund* - This fund is used to account for the operation and maintenance of a water distribution system, including storage tanks, pumping stations, distribution mains and services and related equipment. Water is purchased from the City of Grand Rapids for storage and distribution to the township's customers.

This fund is used to account for the operation and maintenance of a wastewater collection system, lift stations and treatment facility.

Additionally, the township reports the following fund types:

#### **Governmental Funds**

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

*Debt Service Funds* - Debt Service Funds account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### **Fiduciary Funds (Not included in government-wide statements)**

*Agency Funds* - Agency Funds account for assets held by the township in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities) and do not involve the measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of the inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the township's water and sewer functions and various other functions of the township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities, and Net Assets or Equity**

##### *1. Bank Deposits and Investments.*

The township maintains separate cash accounts for certain of its various funds as well maintaining a pooled cash account to facilitate the management of cash.

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

The township's investment policies are governed by state statutes, formal board policy, and administrative procedures. Permissible investments include obligations of the U.S. Treasury and its agencies, Michigan financial institution certificates of deposits and accounts, commercial paper with prescribed ratings, U.S. government repurchase agreements, and mutual funds and investment pools consisting of any of the above. Attorney General's Opinion No. 6168 states that public funds may not be deposited in institutions located in states other than Michigan. The township's deposits are in accordance with statutory authority.

Investments are recorded at fair value.

##### *2. Receivables and Payables.*

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

### 3. *Inventories and Prepaid Items.*

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are not material and are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### 4. *Capital Assets.*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. General infrastructure assets acquired prior to January 1, 2004, are not reported in the basic financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on invested bond proceeds over the same period. During the current year \$29,498 of net interest expense was capitalized as part of the cost of assets under construction.

Included in capital assets are the township's investment in roads and drains within the township that are recorded as intangible assets (shared road improvements and flowage rights). Although paid for by the township, Michigan law makes these assets property of the County (along with the responsibility to maintain them).

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Land improvements	5-10
Machinery and equipment	5-15
Office furniture and equipment	5-20
Vehicles	3-25
Roads and sidewalks	15-25
Water and sewer systems	10-50

### 6. *Compensated Absences.*

It is the township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

### 7. *Long-Term Obligations.*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

## **8. Fund Equity.**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **E. Property Taxes**

Property taxes are levied on each December 1 (lien date and due date) on the taxable valuation of property as of the preceding December 31. Real and personal property taxes are collected without additional charge through February 14. The township continues to collect taxes until March 1, at which time the delinquent real property taxes are returned to the county for collection. Taxes returned to the county treasurer are subject to penalty and interest. The county's policy has been to pay the township for all delinquent real property taxes returned. The township continues to collect delinquent personal property taxes.

Although the township's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the township's policy to recognize revenue from this levy in the year ended December 31, 2005, when proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 taxable equivalency valuation of the township totaled \$247,081,054 (\$244,554,874 ad valorem and \$2,526,180 abated property), on which taxes levied consisted of 2.74220 mills for operating purposes and .45000 mills for library debt purposes. This resulted in \$392,721 (after reduction of \$284,405 for taxes captured by the DDA's) for operating purposes and \$111,168 for library debt purposes.

The above amounts are recognized in the General Fund and Library Debt Service Fund as tax revenue.

### **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

## **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Before November 30, the proposed budget is presented to the Township Board for review. The Board holds public hearings and a final budget must be prepared and adopted no later than November 30. Appropriated budgets are amended from time to time throughout the course of the year by supplementary resolutions approved by the Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered spent once the goods are delivered or the services rendered.

The appropriated budget is prepared by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations as compared to budget for the General Fund is included in the required supplemental information.

### NOTE 3. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

*Michigan Compiled Laws, Section 129.91*, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The governing body has designated several banks for the deposit of township funds. The investment policy adopted by the township in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.

The township's deposits and investment policy are in accordance with statutory authority.

At year-end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Component Units</u>
Cash and investments	<u>\$ 1,064,449</u>	<u>\$ 2,470,203</u>	<u>\$ 193,361</u>	<u>\$ 3,728,013</u>	<u>\$ 615,906</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 3,191,170	\$ 615,906
Money Market Funds	<u>536,843</u>	<u>-</u>
Total	<u>\$ 3,728,013</u>	<u>\$ 615,906</u>

#### ***Deposits***

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the township's deposits may not be returned. The township does not have a deposit policy for custodial credit risk. At year end the bank balance of the township's deposits was \$2,989,281 of which \$500,000 was covered by federal depository insurance and \$2,489,281 was exposed to custodial credit risk because it was uninsured and uncollateralized. The component units' entire bank balance of \$615,906 was uninsured and uncollateralized. The township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the township evaluates each financial institution with which it deposits township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## **Investments**

**Interest rate risk.** Except as limited by state law as listed in the above list of authorized investments the township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** The township has no investment policy that limits its investment choices beyond those required by state law. At year end the township had \$536,843 in permissible money market funds that are not separately rated.

**Custodial Credit Risk-Investments.** For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the township will not be able to recover the value of its investments that are in the possession of the outside party. The township has not adopted a policy for investment custodial credit risk. The township's investments in money market accounts totaling \$536,843 are not subject to risk categorization.

**Concentration of Credit Risk.** State law does not limit and the township has not adopted a formal policy on the amount the township may invest in any one issuer. All investments held by the township at December 31, 2005 are in money market accounts.

## **B. Receivables**

Receivables as of year-end for the township's individual major funds, and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Nonmajor Funds</u>	<u>Agency</u>	<u>Total</u>
Receivables:					
Taxes	\$ 280,315	\$ -	\$ 69,701	\$ -	\$ 700,032
Accounts	52,340	464,243	13,717	-	530,300
Special assessments	-	183,561	16,125	-	199,686
Intergovernmental	<u>171,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,997</u>
Gross receivables	504,652	647,804	99,543	-	1,602,015
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 504,652</u>	<u>\$ 647,804</u>	<u>\$ 99,543</u>	<u>\$ -</u>	<u>\$ 1,602,015</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes	\$ 582,545	\$ -
Special assessments	<u>16,125</u>	<u>-</u>
	<u>\$ 598,670</u>	<u>\$ -</u>



## C. Capital Assets

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Completed Construction	Ending Balance
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 329,904	\$ 166,305	\$ -	\$ -	\$ 496,209
Construction in progress	-	-	-	-	-
Subtotal	329,904	166,305	-	-	496,209
<b>Capital Assets Being Depreciated</b>					
Building and improvements	2,686,387	20,756	-	-	2,707,143
Land improvements	641,234	-	-	-	641,234
Machinery and equipment	463,870	7,998	(10,436)	-	461,432
Office furniture and equipment	118,774	4,537	-	-	123,311
Vehicles	980,102	-	-	-	980,102
Infrastructure	-	-	-	-	-
Subtotal	4,890,367	33,291	(10,436)	-	4,913,222
<b>Less Accumulated Depreciation for</b>					
Buildings and improvements	(1,030,780)	(56,250)	-	-	(1,087,030)
Land improvements	(221,003)	(26,889)	-	-	(247,892)
Machinery and equipment	(274,005)	(18,019)	5,914	-	(286,110)
Office furniture and equipment	(59,493)	(11,248)	-	-	(70,741)
Vehicles	(458,811)	(39,515)	-	-	(498,326)
Infrastructure	-	-	-	-	-
Subtotal	(2,044,092)	(151,921)	5,914	-	(2,190,099)
<b>Net Capital Assets Being Depreciated</b>	<u>2,846,275</u>	<u>(118,630)</u>	<u>(4,522)</u>	-	<u>2,723,123</u>
<b>Governmental Activities Total</b>					
Capital Assets - Net of Depreciation	<u>\$ 3,176,179</u>	<u>\$ 47,675</u>	<u>\$ (4,522)</u>	<u>\$ -</u>	<u>\$ 3,219,332</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental Activities</b>	
General government	\$ 35,503
Public safety	55,869
Public works	900
Recreation and culture	<u>59,649</u>
<b>Total Governmental Activities</b>	<u>\$ 151,921</u>

<b>Business-Type Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 159,401	\$ -	\$ -	\$ -	\$ 159,401
Construction in progress	<u>966,603</u>	<u>1,981,041</u>	<u>-</u>	<u>(839,609)</u>	<u>2,108,035</u>
Subtotal	<u>1,126,004</u>	<u>1,981,041</u>	<u>-</u>	<u>(839,609)</u>	<u>2,267,436</u>
<b>Capital Assets Being Depreciated</b>					
Buildings and improvements	\$ 115,873	\$ -	\$ -	\$ 68,801	\$ 184,674
Machinery and equipment	172,231	14,298	(30,765)	-	155,764
Water system	9,326,686	375,961	-	546,360	10,249,007
Sewer system	10,005,738	407,274	-	224,448	10,637,460
Sewer treatment plant	8,548,261	19,020	-	-	8,567,281
Vehicles	<u>135,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,292</u>
Subtotal	<u>28,304,081</u>	<u>816,553</u>	<u>(30,765)</u>	<u>839,609</u>	<u>29,929,478</u>
<b>Less Accumulated Depreciation for</b>					
Buildings and improvements	(54,939)	(4,030)	-	-	(58,969)
Machinery and equipment	(135,649)	(12,464)	30,765	-	(117,348)
Water system	(1,784,799)	(183,833)	-	-	(1,968,632)
Sewer system	(2,008,548)	(201,759)	-	-	(2,210,307)
Sewer treatment plant	(2,100,643)	(172,541)	-	-	(2,273,184)
Vehicles	<u>(112,833)</u>	<u>(12,370)</u>	<u>-</u>	<u>-</u>	<u>(125,203)</u>
Subtotal	<u>(6,197,411)</u>	<u>(586,997)</u>	<u>30,765</u>	<u>-</u>	<u>(6,753,643)</u>
<b>Net Capital Assets Being Depreciated</b>	<u>22,106,670</u>	<u>229,556</u>	<u>-</u>	<u>839,609</u>	<u>23,175,835</u>
<b>Business Type Activities Total</b>					
Capital Assets - Net of Depreciation	<u>\$ 23,232,674</u>	<u>\$ 2,210,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,443,271</u>

Depreciation expense was charged to programs of the business-type activities as follows:

<b>Business-Type Activities</b>	
Water and sewer	<u>\$ 586,997</u>
<b>Total Business-Type Activities</b>	<u>\$ 586,997</u>

Capital asset activity of the Downtown Development Authority for the current year was as follows:

<b>Component Unit - DDA - Development</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Completed Construction</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets Being Depreciated					
Infrastructure	499,768	250,456	-	-	750,224
Less accumulated depreciation	-	-	-	-	-
Net Capital Assets Being Depreciated	<u>499,768</u>	<u>250,456</u>	<u>-</u>	<u>-</u>	<u>750,224</u>
Component Unit Total Capital Assets - Net of Depreciation	<u>\$ 499,768</u>	<u>\$ 250,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750,224</u>

There was no depreciation expense related to DDA – Development capital assets for the year ended December 31, 2005.

*Construction Commitments*-The township had no significant construction projects or commitments as of December 31, 2005.

#### **D. Interfund Receivables, Payables and Transfers**

At December 31, 2005, there were no interfund balances. Interfund transfers reported in the funds statements were as follows:

	<u>Transfers Out</u>		
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Transfers In:			
General Fund	\$ -	\$ 2,500 (1)	\$ 2,500
Fire Equipment Fund	68,000 (2)	-	68,000
Community Events Fund	15,700 (2)	-	15,700
Roads Fund	<u>50,000 (2)</u>	<u>-</u>	<u>50,000</u>
	<u>\$ 133,700</u>	<u>\$ 2,500</u>	<u>\$ 136,200</u>

The following describes the nature of significant transfers:

- (1) Transfers from Debt Service Fund for prior years' excess transfers from General Fund
- (2) Transfers from General Fund for annual operating purposes

## E. Long-Term Debt

The township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity for the township can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds						
1998 Library Building , interest rates from 4.50%-4.75 %, maturing 2008	\$ 850,000	\$ 400,000	\$ -	\$ (90,000)	\$ 310,000	\$ 100,000
Land contracts payable						
1999 Cemetery Land (Kennedy), interest rate of 5.0 %, maturing 2010	140,000	57,500	-	(11,500)	46,000	11,500
2005 68th Avenue Property (Kleinjans), interest rate of 8 %, maturing 2008	140,000	-	140,000	(27,075)	112,925	3,525
Notes payable						
Byron Center State Bank (fire truck), interest rate of 4.75 %, maturing 2006	297,819	126,043	-	(62,843)	63,200	63,200
<b>Total Governmental Activities</b>		<b>\$ 583,543</b>	<b>\$ 140,000</b>	<b>\$ (191,418)</b>	<b>\$ 532,125</b>	<b>\$ 178,225</b>
<b>Business-Type Activities</b>						
County Contractual Obligations						
1998 Michigan Municipal Bond Authority (WWTP), interest rate of 2.25 %, maturing 2019	\$ 4,754,466	\$ 3,754,446	\$ -	\$ (215,000)	\$ 3,539,446	\$ 220,000
2000 Michigan Municipal Bond Authority (M-45), interest rate of 2.50 %, maturing 2020	1,812,090	1,512,090	-	(75,000)	1,437,090	75,000
2004 County Revolving Fund Loan (68th Ave), interest rate of 3.00 %, maturing 2009	340,000	313,571	-	(64,791)	248,780	66,792
2005 Water Supply & Sewage Disposal, interest rates from 3.00 % to 4.25 %, maturing 2025	2,625,000	-	2,625,000	-	2,625,000	60,000
<b>Total Business-Type Activities</b>		<b>\$ 5,580,107</b>	<b>\$ 2,625,000</b>	<b>\$ (354,791)</b>	<b>\$ 7,850,316</b>	<b>\$ 421,792</b>

Bond and contractual obligation activity for the discretely presented component units can be summarized as follows:

	Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>DDA - Development</b>						
County Contractual Obligation						
2004 County Revolving Fund Loan (Trader's Creek), interest rate of 3.00 %, maturing 2009	\$ 365,000	\$ 325,180	\$ -	\$ (69,904)	\$ 255,276	\$ 72,030

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended December 31	Governmental Activities		Business-Type Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 178,225	\$ 25,800	\$ 421,762	\$ 242,264	\$ 72,030	\$ 6,673
2007	115,318	17,939	468,792	207,942	74,220	4,482
2008	227,082	5,168	475,885	195,937	76,478	2,225
2009	11,500	575	462,341	183,772	32,548	245
2010	-	-	430,000	172,807	-	-
2010-2015	-	-	2,335,000	688,256	-	-
2016-2020	-	-	2,381,536	354,392	-	-
2021-2025	-	-	875,000	94,689	-	-
Total	\$ 532,125	\$ 49,482	\$ 7,850,316	\$ 2,140,059	\$ 255,276	\$ 13,625

#### F. Restricted Assets

The township has no restricted assets at December 31, 2005.

### NOTE 4. OTHER INFORMATION

#### A. Risk Management

The township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The township has purchased full multi-peril insurance coverage underwritten by the Michigan Township Participating Plan. The township is fully insured for workers compensation claims by coverage underwritten by Accident Fund. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Township Participating Plan operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

#### B. Pension Plan

The Allendale Charter Township Pension Plan is a defined contribution plan established by the township to provide benefits at retirement to eligible employees of the township meeting length of service requirements. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At December 31, 2005, there were 38 plan participants. The township is required to contribute 5% of covered compensation. Plan participants are required to contribute 3% of covered compensation. Contributions to the Plan by the township were \$52,352 for the year ended December 31, 2005. Plan provisions and contribution requirements are established and may be amended by the Allendale Charter Township Board.

## Required Supplementary Information

Allendale Charter Township  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Budget to	Actual Amounts	Budgetary
	Original	Final	Budgetary	GAAP	GAAP	Variance
			Basis	Differences	Basis	with Final
						Budget
Revenues:						
Taxes	\$ 644,480	\$ 644,480	\$ 634,549	(1) \$ (196,000)	\$ 438,549	\$ (9,931)
Licenses and permits	61,750	97,150	106,899	-	106,899	9,749
Federal grants	9,195	9,195	9,195	-	9,195	-
State shared revenues and grants	977,927	1,013,000	1,022,505	-	1,022,505	9,505
Charges for services	24,650	24,650	37,096	-	37,096	12,446
Fines and forfeits	47,600	54,000	58,230	-	58,230	4,230
Interest	6,000	25,000	38,286	-	38,286	13,286
Other	85,951	92,951	104,249	-	104,249	11,298
Total Revenues	1,857,553	1,960,426	2,011,009	(196,000)	1,815,009	50,583
Expenditures:						
Current:						
General Government:						
Township Board	26,552	26,552	23,283	-	23,283	3,269
Supervisor	39,380	40,380	38,444	-	38,444	1,936
Elections	-	600	536	-	536	64
Finance	61,507	61,507	60,174	-	60,174	1,333
Audit	6,250	6,250	5,495	-	5,495	755
Assessor	96,671	100,671	99,585	-	99,585	1,086
Attorney	34,000	34,000	25,018	-	25,018	8,982
Clerk	84,961	87,961	86,037	-	86,037	1,924
Board of review	2,106	2,106	1,670	-	1,670	436
General office	79,954	79,954	75,305	-	75,305	4,649
Treasurer	9,711	9,711	7,326	-	7,326	2,385
Building and grounds	185,444	203,444	202,778	(2) 104,640	307,418	666
Cemetery	22,723	22,723	22,863	-	22,863	(140)
Total General Government	649,259	675,859	648,514	104,640	753,154	27,345
Public Safety:						
Sheriff	205,412	220,412	218,565	-	218,565	1,847
Juvenile justice grant	45,486	45,486	29,542	-	29,542	15,944
Fire department	371,243	371,243	330,009	-	330,009	41,234
Total Public Safety	622,141	637,141	578,116	-	578,116	59,025
Public Works:						
Drains	2,000	2,000	500	-	500	1,500
Highways, streets, and bridges	28,000	112,000	80,848	-	80,848	31,152
Street lighting	87,500	87,500	45,035	-	45,035	42,465
Total Public Works	117,500	201,500	126,383	-	126,383	75,117

	Budgeted Amounts		Actual Amounts	Budget to	Actual Amounts	Budgetary
	Original	Final	Budgetary	GAAP	GAAP	Basis
			Basis	Differences	Basis	Variance with Final Budget
Community and Economic Development						
Planning commission	22,429	22,429	18,262	-	18,262	4,167
Planning and zoning department	83,564	83,564	76,981	-	76,981	6,583
Zoning board of appeals	3,635	3,635	566	-	566	3,069
Total Community and Economic Development	109,628	109,628	95,809	-	95,809	13,819
Recreation and Culture:						
Recreation and parks	75,065	75,065	72,089	-	72,089	2,976
Library	207,254	207,254	198,107	-	198,107	9,147
Senior citizens activities	5,850	5,850	4,891	-	4,891	959
Total Recreation and Culture	288,169	288,169	275,087	-	275,087	13,082
Other:						
Health insurance	161,087	161,087	141,232	-	141,232	19,855
Other fringes	23,852	27,750	27,364	-	27,364	386
Total Other	184,939	188,837	168,596	-	168,596	20,241
Debt Service:						
Principal retirement	-	-	- (2)	27,075	27,075	-
Interest and fiscal charges	-	-	- (2)	8,285	8,285	-
Total Debt Service	-	-	-	35,360	35,360	-
Total Expenditures	1,971,636	2,101,134	1,892,505	140,000	2,032,505	208,629
Excess Of Revenues Over Expenditures	(114,083)	(140,708)	118,504	(336,000)	(217,496)	259,212
Other Financing Sources (Uses):						
Proceeds from issuance of debt	-	-	- (2)	140,000	140,000	-
Transfers in - component unit (DDA)	-	-	- (1)	196,000	196,000	-
Transfers in	-	-	2,500	-	2,500	2,500
Transfers out	(128,000)	(133,000)	(133,700)	-	(133,700)	(700)
Total Other Financing Sources (Uses)	(128,000)	(133,000)	(131,200)	336,000	204,800	1,800
Net Change in Fund Balances	(242,083)	(273,708)	(12,696)	-	(12,696)	261,012
Fund Balances - January 1	820,446	820,446	820,446	-	820,446	-
Fund Balances - December 31	\$ 578,363	\$ 546,738	\$ 807,750	\$ -	\$ 807,750	\$ 261,012

Explanation of differences:

- (1) The township budgeted transfers from the component unit - DDA as part of tax revenues
- (2) The township budgeted for the acquisition cost of certain property net of the related debt and the subsequent debt service payments all within its General Government-Buildings and grounds function.



# Other Supplemental Data

## Nonmajor Governmental Funds

### Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes and for monies received from General Fund transfers for specified purposes.

**Library Special Projects Fund** – This fund accounts for funds raised for the purchase of library supplies and equipment.

**Building Department** – This fund accounts for revenues and expenditures related to the cost of operating the building construction code enforcement activities of the Township. The fund is required by PA 230 of 1972, as amended by PA 245 of 1999.

**Fire Special Projects Fund** – This fund accounts for funds raised for the purchase of fire department supplies and equipment.

**Fire Equipment Fund** – This fund accounts for the funds designated for the purchase of fire equipment.

**Cemetery Improvement Fund** – This fund accounts for the funds received for cemetery lots and used for general improvements.

**Community Events Fund** – This fund accounts for the funds received for special community events.

**Roads Fund** – This fund accounts for special assessment revenues to be used for the construction of roads.

### Debt Service Funds

Debt service funds account for resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

**Library Building** – This fund accounts for the retirement of general obligation bonds used to finance construction of a Township library building.

Allendale Charter Township  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2005

	Nonmajor Special Revenue Funds							Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Library Special Projects	Building Department	Fire Special Projects	Fire Equipment	Cemetery Improvement	Community Events	Roads	Total	Library Building	
<b>ASSETS</b>										
Cash	\$ 27,600	\$ 65,266	\$ 11,748	\$ 1,677	\$ 2,723	\$ 237	\$ 115,678	\$ 224,929	\$ 45,431	\$ 270,360
Receivables:										
Taxes	-	-	-	-	-	-	-	-	69,701	69,701
Accounts	-	13,627	-	-	-	90	-	13,717	-	13,717
Special assessments	-	-	-	-	-	-	16,125	16,125	-	16,125
Due from other funds	-	-	-	-	-	-	-	-	-	-
Prepaid expenses	-	2,101	-	-	-	-	-	2,101	-	2,101
<b>TOTAL ASSETS</b>	<b>\$ 27,600</b>	<b>\$ 80,994</b>	<b>\$ 11,748</b>	<b>\$ 1,677</b>	<b>\$ 2,723</b>	<b>\$ 327</b>	<b>\$ 131,803</b>	<b>\$ 256,872</b>	<b>\$ 115,132</b>	<b>\$ 372,004</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$ 2,630	\$ 534	\$ 300	\$ -	\$ -	\$ 10	\$ -	\$ 3,474	\$ -	\$ 3,474
Accrued liabilities	-	326	-	-	-	-	-	326	-	326
Accrued payroll	-	1,054	-	-	-	-	-	1,054	-	1,054
Deferred revenue	-	-	-	-	-	-	16,125	16,125	113,169	129,294
Total liabilities	2,630	1,914	300	-	-	10	16,125	20,979	113,169	134,148
Fund Balances:										
Reserved	-	79,080	11,448	-	-	-	-	90,528	1,963	92,491
Unreserved	24,970	-	-	1,677	2,723	317	115,678	145,365	-	145,365
Total Fund Balances	24,970	79,080	11,448	1,677	2,723	317	115,678	235,893	1,963	237,856
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 27,600</b>	<b>\$ 80,994</b>	<b>\$ 11,748</b>	<b>\$ 1,677</b>	<b>\$ 2,723</b>	<b>\$ 327</b>	<b>\$ 131,803</b>	<b>\$ 256,872</b>	<b>\$ 115,132</b>	<b>\$ 372,004</b>

## Allendale Charter Township

## Allendale Charter Township

# Other Supplemental Data

## Discretely Presented Component Units

The Discretely Presented Component Units are reported separately from the Township's other funds to emphasize that they are legally separate from the Township. There are two component unit Downtown Development Authorities that are reported in this manner, DDA Development and DDA Leprino. Both are presented as governmental fund types.

**DDA Development** – The Authority was created to finance improvements to the central business district of the Township. The Authority receives captured tax increment revenues and makes debt service payments on bonds issued through Ottawa County issued to provide construction of water and sewer improvements.

**DDA Leprino** – The Authority was created to finance improvements to a wastewater treatment facility for Leprino Foods, Inc. The Authority receives captured tax increment revenues and pays Leprino Foods, Inc. a debt service subsidy on bonds issued by the Company to finance the project.

Allendale Charter Township  
 COMPONENT UNIT - DDA DEVELOPMENT  
 COMBINING BALANCE SHEET  
 December 31, 2005

ASSETS	Debt Retirement	Capital Projects	Totals
Cash and investments	\$ 649	\$ 485,433	\$ 486,082
Taxes receivable	-	387,704	387,704
<b>TOTAL ASSETS</b>	<b>\$ 649</b>	<b>\$ 873,137</b>	<b>\$ 873,786</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 795	\$ 795
Deferred revenue	-	647,736	647,736
Due to primary government	-	46,138	46,138
<b>Total Liabilities</b>	<b>-</b>	<b>694,669</b>	<b>694,669</b>
Fund Balances:			
Reserved for debt service	649	-	649
Reserved for capital projects	-	178,468	178,468
<b>Total fund balances</b>	<b>649</b>	<b>178,468</b>	<b>179,117</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 649</b>	<b>\$ 873,137</b>	

Amounts reported for the Component Unit in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	750,224
Long term liabilities are not due and payable in the current period and are not reported in the funds	(255,276)
<b>Net Assets of the Component Unit</b>	<b>\$ 674,065</b>

Allendale Charter Township  
 COMPONENT UNIT - DDA DEVELOPMENT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2005

	Debt Retirement	Capital Projects	Totals
Revenues:			
Taxes	\$ -	\$ 788,153	\$ 788,153
Interest	<u>6</u>	<u>8,699</u>	<u>8,705</u>
Total Revenues	<u>6</u>	<u>796,852</u>	<u>796,858</u>
Expenditures:			
Current:			
Public works	-	184,271	184,271
Debt Service:			
Principal retirement	-	69,904	69,904
Interest and fiscal charges	<u>-</u>	<u>8,799</u>	<u>8,799</u>
Total Expenditures	<u>-</u>	<u>262,974</u>	<u>262,974</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6</u>	<u>533,878</u>	<u>533,884</u>
Other Financing Sources (Uses):			
Debt proceeds	-	-	-
Prior years' taxes refunded to Ottawa County	-	(304,000)	(304,000)
Transfers out to primary government	<u>-</u>	<u>(196,000)</u>	<u>(196,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>
Net Change in Fund Balances	6	33,878	33,884
Fund Balances - January 1	<u>643</u>	<u>144,590</u>	
Fund Balances - December 31	<u>\$ 649</u>	<u>\$ 178,468</u>	
Amounts reported for the Component Unit's activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation			250,456
Repayments of bonds payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets			<u>69,904</u>
Change in Net Assets of the Component Unit			<u>\$ 354,244</u>

Allendale Charter Township  
COMPONENT UNIT - DDA LEPRINO  
BALANCE SHEET  
December 31, 2005

ASSETS	<u>Debt Retirement</u>
Cash and investments	\$ 129,824
Taxes receivable	<u>57,042</u>
 TOTAL ASSETS	 <u>\$ 186,866</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Deferred revenue	\$ 57,044
Fund Balances:	
Reserved for debt service	<u>129,822</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 186,866</u>

Allendale Charter Township  
 COMPONENT UNIT - DDA LEPRINO  
 STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 Year Ended December 31, 2005

	<u>Debt Retirement</u>
Revenues:	
Taxes	\$ 355,823
Interest	<u>423</u>
Total Revenues	<u>356,246</u>
Expenditures:	
Current:	
Public works	700
Debt Service:	
Principal retirement	-
Interest and fiscal charges	<u>326,665</u>
Total Expenditures	<u>327,365</u>
Net Change in Fund Balances	28,881
Fund Balances - January 1	<u>100,941</u>
Fund Balances - December 31	<u>\$ 129,822</u>